

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY VIENNA PRIORITY

C O N F I D E N T I A L STATE 032425

FOLLOWING REPEAT STATE 032425 SENT ACTION JIDDA, KUWAIT, ABU DHABI, MANAMA, TRIPOLI, ALGIERS, CAIRO, TEHRAN INFO TOKYO, OTTAWA, OSLO, ROME, PARIS, BONN, LONDON, THE HAGUE, DUBLIN, COPENHAGEN, BRUSSELS, LUXEMBOURG, EC BRUSSELS & OECD PARIS DATED 16 FEB 1974:

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C O N F I D E N T I A L STATE 032425

E.O. 11652: GDS

TAGS: ENRG

SUBJECT: WASHINGTON ENERGY CONFERENCE

REF: STATE 29810

KUWAIT PASS MUSCAT AND DOHA

1. IN ADDITION TO CONVEYING COMMUNIQUE ISSUED BY WASHINGTON ENERGY CONFERENCE TO HOST OFFICIALS (REFTEL), YOU SHOULD MAKE FOLLOWING PRELIMINARY COMMENTS TO HOST GOVERNMENTS AT APPROPRIATELY HIGH LEVEL.

A. WE ARE CONVINCED THAT THIS MEETING AMONG MAJOR OIL CONSUMING NATIONS WILL NOT RPT NOT LEAD TO A CONFRONTATION BETWEEN OIL PRODUCING AND CONSUMING NATIONS. AS THE SECRE-
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TARY POINTED OUT IN HIS OPENING STATEMENT, U.S. CALLED

CONFERENCE FOR ONE CENTRAL PURPOSE: TO MOVE URGENTLY TO RESOLVE ENERGY PROBLEM ON BASIS OF COOPERATION AMONG ALL NATIONS.

B. WE EXPECT CONFERENCE WILL SET STAGE FOR FUTURE COOPERATIVE EFFORT TO DEAL WITH ENERGY ISSUES. THROUGHOUT, WE MADE CLEAR OUR CONVICTION THAT WORLD ENERGY PROBLEM IS INCAPABLE OF SOLUTION BY INDIVIDUAL COUNTRIES ACTING ALONE BUT IS ONE OF GLOBAL NATURE WHICH IS MANAGEABLE MULTI-LATERALLY. FOR THIS REASON, U.S. PROPOSED A SEVEN-POINT PROGRAM WHERE WE OFFERED TO SHARE TECHNOLOGY, RESOURCES, AND SUPPLIES AS OUR CONTRIBUTION TO A WORLD COOPERATIVE SYSTEM.

C. WE BELIEVE NEXT STEP IS TO WORK TOWARD A WELL-PREPARED MEETING OF CONSUMERS AND PRODUCERS. WE ARE FLEXIBLE ABOUT HOW WE CAN ACHIEVE THIS OBJECTIVE. WE ARE NOT INSISTING ON ANOTHER MINISTERIAL CONSUMERS' CONFERENCE IF IT WILL SERVE NO USEFUL PURPOSE. OUR VIEW, HOWEVER, IS THAT A CONSUMER-PRODUCER CONFERENCE WILL BE PRODUCTIVE ONLY TO EXTENT THAT THERE IS CAREFUL, DETAILED PREPARATION. THERE IS AGREEMENT TO ESTABLISH A FOLLOW-ON COORDINATING GROUP WHICH WILL CORRELATE WHAT HAS ALREADY BEEN DONE AND WHICH WILL MAKE PREPARATIONS FOR A PRODUCER-CONSUMER CONFERENCE AS SOON AS POSSIBLE. THIS NEED FOR COORDINATION AND PLANNING WAS RECOGNIZED BY ALL CONFERENCE PARTICIPANTS EXCEPT FRENCH. AS PREPARATIONS FOR MEETING WITH PRODUCERS PROCEED, WE THINK THAT EARLY CONSULTATIONS WITH PRODUCER NATIONS WILL BE APPROPRIATE.

D. MOST URGENT CONCERN EXPRESSED AT CONFERENCE WAS OVER PRESENT OIL PRICES AND IMPACT THESE WILL HAVE ON CONSUMING COUNTRIES, ESPECIALLY LDCS. CONFERENCE COMMUNIQUE RECOGNIZES THAT CONSUMER COUNTRIES CANNOT DEAL WITH PAYMENTS PROBLEM BY MONETARY OR TRADE MEASURES ALONE. IF PRESENT SITUATION CONTINUES, IT COULD LEAD TO SERIOUS TRADE DETERIORATION, POLITICAL INSTABILITY, AND NEW INFLATIONARY PRESSURES WHICH WILL ENDANGER THE WELFARE OF ALL NATIONS. THUS, FAIR PRICE FOR OIL IS IN INTEREST OF BOTH CONSUMERS AND PRODUCERS. THERE WAS GENERAL AGREEMENT THAT OIL PRICES BEFORE SEPTEMBER 1973 WERE TOO LOW. THERE

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WAS ALSO AGREEMENT THAT OIL PRICES NOW ARE TOO HIGH. ESTABLISHING A FAIR PRICE WILL REQUIRE TAKING INTO ACCOUNT THE NEEDS OF THE PRODUCERS FOR LONG-TERM INCOME AND THE NEEDS OF CONSUMERS FOR ASSURING SUPPLY. WE BELIEVE A WELL-PREPARED MEETING OF CONSUMERS AND PRODUCERS CAN ESTABLISH A FRAMEWORK FOR OBJECTIVELY DETERMINING THE NATURE OF A FAIR PRICE.

E. WE DO NOT SEE PRODUCERS AND CONSUMERS INTERESTS TO BE IN CONFLICT. WE NEED EACH OTHER AND IF WE UNDERSTAND EACH OTHER'S PROBLEMS AND MOVE RAPIDLY AND COOPERATIVELY TOGETHER, WE WILL ALL BENEFIT. BEFORE MOVING TO PRODUCER-CONSUMER CONFERENCE, IT SEEMED IMPORTANT TO US THAT MAJOR CONSUMER NATIONS FIRST MEET TO UNDERSTAND NATURE OF THE PROBLEM AND RANGE OF POSSIBLE REMEDIES. WE THINK CONFERENCE ACHIEVED, IN TERMS OF FOLLOW-ON MACHINERY AND DEFINITION OF OBJECTIVES, SUBSTANTIALLY WHAT WE HAD HOPED FOR AND THAT IT WILL BE RECOGNIZED AS SERIOUS ATTEMPT TO TAKE A FIRST STEP TO DEAL WITH WORLD ENERGY ISSUES IN SPIRIT OF COOPERATION AMONG ALL NATIONS WITHOUT DISCRIMINATION.

F. ISSUE OF ARAB OIL EMBARGO WAS NOT RAISED DURING CONFERENCE. WHILE EMBARGO HAS CONTRIBUTED TO SHORTAGE OF OIL SUPPLIES AND HENCE INCREASE IN PRICES, WE RECOGNIZED THAT EMBARGO DIRECTED PRIMARILY AT U.S. AS THE SECRETARY TOLD CONFERENCE AT OUTSET, THIS REMAINS AN ISSUE WHICH WE HAVE TO DEAL WITH OURSELVES AND FOR WHICH WE HAVE ASKED NO ASSISTANCE FROM OTHER CONSUMERS. WE DID NOT USE CONFERENCE AS VEHICLE TO SEEK SUPPORT FOR U.S. POSITION. RUSH
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